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Ministry of Transportation

BC RAIL PARTNERSHIP UPDATE #1

VICTORIA – On July 30, 2003, Transportation Minister Judith Reid committed to issue a bi-weekly bulletin to keep British Columbians up to date on the BC Rail revitalization process. This first update reports on the “request for proposals” (RFP) process and profiles the four railway companies that the B.C. government shortlisted on July 14.

The four short-listed proponents are Canadian National Railway, Canadian Pacific Railway, OmniTRAX in partnership with Burlington Northern Santa Fe, and RailAmerica.

RFP Process on Track

BC Rail management presented to each bidder a comprehensive review of BC Rail’s business operations, finances, customer base, maintenance activities and human resources between July 14 and July 25, 2003.

The evaluation committee has formally asked the four proponents to submit further detailed submissions in mid-September. The evaluation committee’s four members are John McLernon, chairman of the board, BC Railway; Brian Kenning, board member, BC Railway; Chris Trumpy, deputy minister, Ministry of Provincial Revenue; and David Morhart, assistant deputy minister, Ministry of Finance.

The committee will evaluate each submission against the terms of the RFP, including a number of strategic considerations important to communities, employees and BC Rail customers, such as:

Community benefits – proponents must demonstrate how stakeholder groups such as employees, communities and First Nations would benefit from the proposal.

Growth opportunities – proponents must accommodate access to the railway line for third-party passenger rail services on reasonable economic terms and identify any new opportunities for freight rail services.

Sustainability – proponents must promote a robust and well-maintained transportation infrastructure that supports the long-term economic development and diversification of B.C. communities.

Competitiveness – proponents must recognize industrial customers’ need for competitive freight rail services and rates while ensuring access to preferred markets and carriers for rail shipments.

The evaluation committee will continue to consult with the mayors’ council and begin discussions with two advisors who will work with shippers to fully understand their needs. The advisors are Allan Foran, and John Edsforth.

John Edsforth is the president of Travacon Research Ltd. Edsforth is a recognized expert on railway costing having appeared before parliamentary committees, regulatory tribunals and final offer arbitrators.

Allan F. Foran is partner at Aikins, MacAulay & Thorvaldson in Winnipeg and practises in the area of civil and commercial litigation, administrative law and transportation law. He provided advice and participated in final offer arbitrations of freight rate disputes on behalf of shippers.

The evaluation committee expects to recommend to government a proponent for final negotiations in early fall, 2003.

Having toured many of the BC Rail facilities, the proponents will inspect the railway line in August as they continue to familiarize themselves with BC Rail's business operations.

The professionalism and responsiveness of BC Rail's employees in providing answers and information was noted by all proponents.

Railway Profiles

Burlington Northern Santa Fe

BNSF is headquartered in Fort Worth, Texas, and operates 33,000 miles of track, including 106 miles in British Columbia.

BNSF reported revenues of \$12.4 billion in 2002, including \$248 million from its BC operations. During the last five years, BNSF invested \$12.5 million in British Columbia.

Lumber and panel products accounted for 78 per cent of BNSF's 2002 freight revenue in B.C. BNSF also transports cement (13 per cent) and chemicals (seven per cent) from B.C.

OmniTRAX

OmniTRAX is headquartered in Denver, Colo., and operates 1,500 miles of track, including 94 miles in British Columbia.

Forest products, grain and feed, sand, and containers accounted for 90 per cent of OmniTRAX's 2002 freight revenue in B.C.

Canadian National (CN)

CN is headquartered in Montreal, Que., and operates 17,500 miles of track, including 1,400 miles in British Columbia.

CN reported revenues of \$6.1 billion in 2002, including \$1.5 billion from its B.C. operations. During the past five years, CN invested \$450 million in British Columbia.

Forest products accounted for 50 per cent of CN's 2002 freight revenue in B.C. CN also transports intermodal (35 per cent), automotive (six per cent), metals and minerals (five per cent), and coal (four per cent) from B.C.

Canadian Pacific Railway (CPR)

CPR is headquartered in Calgary, Alberta, and operates 14,000 miles of track, including 1,085 miles in British Columbia.

CPR reported overall revenues of \$3.7 billion in 2002. During the past five years, CPR invested \$317 million in British Columbia.

Intermodal accounted for 25 per cent of CPR's overall freight revenue in 2002. CPR also transports grain (18 per cent), coal (13 per cent), industrial products (12 per cent), sulphur and fertilizers (12 per cent), forest products (10 per cent), and automotive (10 per cent).

RailAmerica

RailAmerica is headquartered in Boca Raton, Florida, and operates 17,700 miles of track worldwide, including 1,800 miles through its Canadian rail franchise.

RailAmerica reported revenues of \$626 million in 2002, including \$93 million from its Canadian operations.

Grain accounted for 13 per cent of RailAmerica's worldwide freight revenue in 2002. RailAmerica also transports coal (12 per cent), chemicals (10 per cent), forest products (nine per cent), intermodal (nine per cent), paper (eight per cent), ores (14 per cent), metals (six per cent), petroleum products (five per cent), food products (five per cent), minerals (four per cent), and automotive (three per cent).

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